

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 FRB-03 TRSE-00 XMB-07 OPIC-12

CIEP-03 LAB-06 SIL-01 OMB-01 INT-08 STR-08 DRC-01

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R 231400Z JUL 74

FM AMEMBASSY SOFIA

TO SECSTATE WASHDC 8338

USDOC WASHDC

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY WARSAW

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REF: A. SOFIA 474; B. SOFIA 518; C. SOFIA 1100 (NOTAL);

D. MOSCOW 11055

1. KAISER TEAM LED BY VICE BOARD CHAIRMAN TREFETHEN WAS IN BULGARIA JULY 17 TO 20 TO REVIEW AND CARRY FORWARD PROJECTS THAT HAD BEEN UNDER DISCUSSION WITH LESSER OFFICIALS SINCE TREFETHEN WAS HERE LAST APRIL. PRIOR TO THEIR DEPARTURE THEY VISITED AMBASSADOR AND SUMMARIZED SITUATION AS FOLLOWS:

2. OVERALL IMPRESSION. ALTHOUGH THERE HAVE BEEN DIFFICULTIES ABOUT FEASIBILITY STUDY CONTRACT ON STEEL MILL AND OTHER MATTERS, TREFETHEN SAID HE WAS VERY BULLISH ON THE BULGARIANS, WHOM HE DESCRIBED AS HARD-DRIVING,

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REALISTIC BUSINESSMEN WITH VISION, AND HE STILL

SEES POSSIBILITIES FOR BUSINESS HERE IN THE BILLIONS OF DOLLARS.

3. STEEL MILL. BULGARIANS HAVE FINALLY "COME DOWN TO EARTH" ABOUT DIMENSIONS OF THIS PROJECT, AND RECENT VISIT HERE OF SOVIET MINISTER OF METALLURGY IVAN KAZANETZ MAY HAVE HAD SOMETHING TO DO WITH IT. BULGARIANS HAVE ASKED TWO TO THREE MONTHS TO RE-THINK PROJECT, BUT ARE NOW CONSIDERING A PLANT WHICH "WILL START WITH BULGARIA'S OWN REQUIREMENTS". FEASIBILITY STUDY, WHEN IT IS RESUMED, IS NOT RPT NOT TO BE BASED ON ASSUMPTION THAT ALL RAW MATERIALS WILL COME FROM SOVIET UNION. TALK IS IN TERMS OF 4 MILLION (POSSIBLY SIX MILLION) TON CAPACITY AS "FIRST STEP".

4. ALUMINA FROM NON-BAUXITE RAW MATERIALS. THIS CONTINUES TO BE OF GREAT INTEREST, AND DUE TO FACT KAISER IS ALSO WORKING WITH SOVIETS IN THIS FIELD IT HAS INSIDE TRACK IN BULGARIA. PROJECT IN FIRST INSTANCE INVOLVES DETERMINATION WHICH OF AVAILABLE RAW MATERIALS (BULGARITE ORE, FLY ASH, AND OIL SHALES) IS MOST ECONOMICAL SOURCE OF ALUMINA. KAISER EXPERTS WILL MEET WITH BULGARIAN EXPERTS IN NEW YORK LATE THIS MONTH FOR "SCOPE STUDY".

5. CEMENT PLANT. CONTRARY TO EARLIER INDICATIONS, TREFETHEN THOUGHT KAISER IS ONLY FIRM WITH WHOM BULGARIANS ARE TALKING SERIOUSLY ABOUT THIS 2 MILLION TON PROJECT. KAISER HAS REFUSED TO BID ON FIXED PRICE TURNKEY PROJECT AND INSTEAD IS OFFERING TO ASSIST IN DESIGN, PROCUREMENT (NOT NECESSARILY FROM US SOURCES) AND TECHNICAL SERVICES ON COST-PLUS BASIS WITH CEILING ON THEIR FEE. TREFETHEN THOUGHT THE BULGARIANS MIGHT COME ALONG ON THAT BASIS, WHICH COULD INVOLVE CONTRACT ON ORDER OF \$150 MILLION.

6. SHIPBUILDING. HERE, TOO, BULGARIANS HAVE BECOME MORE REALISTIC, AND RECOGNIZED NEED FOR MORE HOMEWORK. IN RE-THINKING AMORTIZATION ANGLE, THEY HAVE COME TO UNDERSTAND, AS TREFETHEN PUT IT, THAT "THERE IS NO WAY OF OUR GETTING ENOUGH SHIP BUSINESS COMMITTED IN ADVANCE LIMITED OFFICIAL USE

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TO PAY FOR THE FOREIGN CONTENT OF THAT YARD". THERE ARE NOW TWO PROJECTS: A) EXPANDING THE PRESENT YARD AT BURGAS AT COST OF ABOUT \$30 MILLION; PLUS B) CONSTRUCTION OF NEW YARD AT ABOUT \$200 MILLION.

7. RAW MATERIALS. KAISER PEOPLE SAID THEY HAD SUGGESTED TO BULGARIANS THAT LATTER SELL TO KAISER PRODUCTS IN SHORT SUPPLY ON WORLD MARKET (SUCH AS SODA ASH, UREA,

AND CAUSTIC SODA) WHICH BULGARIANS ARE CURRENTLY SELLING. INCENTIVE FOR BULGARIANS TO SELL TO KAISER WOULD BE DEVELOPING SPECIAL RELATIONSHIP AS WELL AS VAGUELY CONCEPTUALIZED CARROT OF UTILIZING SOME KAISER PROFITS FROM THESE RAW MATERIALS TRANSACTIONS TO FUND PORTION KAISER-BULGARIAN PROJECTS.

8. COMMENT: KAISER-BULGARIAN RELATIONSHIP HAS OBVIOUSLY GONE THROUGH SOME REALISTIC SHAKING-DOWN, WITH MORE OF THE SAME TO FOLLOW. KAISER TEAM HAS COMMENTED ON BULGARIAN BASIC WEAKNESS AND NAIVETE IN FIELD OF INTERNATIONAL FINANCE AND SAID THEY WILL HAVE TO HELP WITH EDUCATION IN THIS AND OTHER FIELDS. TEAM STILL APPEARED VERY ENTHUSIASTIC, BUT BOTH SIDES ARE STILL IN CONCEPTUAL STAGE AND MUCH WORK WILL HAVE TO BE DONE IF THESE PROJECTS ARE TO GET OFF THE GROUND. EMD COMMENT.

9. POPOV. THROUGHOUT THEIR VISIT VICE PREMIER POPOV WAS GUIDING SPIRIT. HE ACCOMPANIED THEM ON SPECIAL FLIGHT TO VARNA AND ENTERTAINED THEM. TREFETHEN CONFIRMED (SOFIA 1100) THAT KAISER WITH BANK OF AMERICA WILL "SPONSOR" POPOV PARTY WHEN THEY ARE IN BAY AREA, AND HE HIMSELF WILL PROBABLY INVITE POPOV TO HIS ESTATE AND WINERY IN NAPA VALLEY. TREFETHEN SAID KAISER MIGHT SENT SPECIAL PLANE TO BRING POPOV AND HIS PARTY TO SAN FRANCISCO. HE ALSO HAD MENTIONED TO POPOV POSSIBILITY OF LATTER ADDRESSING PACIFIC UNION, AN IDEA POPOV LIKED VERY MUCH. WE ENCOURAGED TREFETHEN TO MAINTAIN CONTACT WITH DEPT OF COMMERCE AND BULGARIAN EMBASSY ON PLANNING. HERZ

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